

**RESPONSE TO PEOPLE OF THE STATE OF ILLINOIS, BY THE ATTORNEY
GENERAL**

Requested of Company Representative:	<u>Ronald D. Stafford</u>
Witness Responsible:	<u>Michael A. Rumer</u>
Title:	<u>Financial Analyst</u>
Phone No.:	<u>618-239-2256</u>
Date Received:	<u>March 26, 2003</u>
Docket No.:	02-0690

AG 6.5 Please describe in detail the circumstances and policy considerations under which Mr. Rumer believes that it would be appropriate to move a rate district toward single tariff pricing.

RESPONSE As indicated in response to AG 6.1c, the primary considerations are the nature of operations, cost of service on a per bill or per customer basis, and rate structure. To the extent that the Company considers it appropriate to move a rate district toward single tariff pricing, the Company also considers impact on customers to assess whether a gradual approach, or full implementation, of uniform rates would be more appropriate.

ILL. C. C. DOCKET NO. 02-0690
LWC Cross - Ex. No. MR-1
 Witness _____
 Date 4/30/03 Reporter CB

ILLINOIS-AMERICAN WATER COMPANY

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DATA REQUEST NUMBER AG-6.8

Requested of Company Representative:	<u>Ronald D. Stafford</u>
Witness Responsible:	<u>Michael A. Rumer</u>
Title:	<u>Financial Analyst</u>
Phone No.:	<u>618-239-2256</u>
Date Received:	<u>March 26, 2003</u>
Docket No.:	<u>02-0690</u>

The following questions relate to the rebuttal testimony of IAWC witness Rumer (Exhibit R-6.0):

AG 6.8 Please provide a detailed and specific explanation of the data, circumstances, and policy considerations, including specific data from the Staff's cost of service study, that lead Mr. Rumer to conclude that it is not appropriate to make movement toward single tariff pricing in this case for the Chicago Metro district.

RESPONSE Since this was the first rate case since Chicago Metro Water was merged into Illinois-American, no analysis was performed to assess whether or not it is appropriate to consider movement towards single tariff pricing for Chicago Water. The Company does note that the majority of these customers are on lake water supply, and cost recovery for purchased lake water is through a separate surcharge billed to such customers. To effectively implement single tariff pricing in Chicago for lake water supply customers would require adequately addressing cost recovery for purchased water, in addition to other components of cost of service.

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DATA REQUEST NUMBER AG-6.10

Requested of Company Representative:	<u>Ronald D. Stafford</u>
Witness Responsible:	<u>Michael A. Rumer</u>
Title:	<u>Financial Analyst</u>
Phone No.:	<u>618-239-2256</u>
Date Received:	<u>March 26, 2003</u>
Docket No.:	<u>02-0690</u>

The following questions relate to the rebuttal testimony of IAWC witness Rumer (Exhibit R-6.0):

AG 6.10 Please provide a detailed and specific explanation of the data, circumstances, and policy considerations, including specific data from the Staff's cost of service study, that lead Mr. Rumer to conclude that it is not appropriate to make movement toward single tariff pricing in this case for the Pekin district.

RESPONSE The information relied on that led to the conclusion that it is not appropriate to make movement toward single tariff pricing in this case, for the Pekin district, is the nature of Pekin's operations, being that groundwater is the exclusive source of supply, and the rate comparison provided in response to AG 6.1c. The rate comparison indicates an overall differential of greater than 10% for most tested residential usage increments. The rate differentials for usage levels consistent with the second, third, and fourth rate blocks are substantially greater than 10%, and do not support a cost structure similar to the Southern/Peoria STP group. As such, the Company determined it was not appropriate to propose the inclusion of Pekin into single tariff pricing in this case.

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DATA REQUEST NUMBER AG-6.11

Requested of Company Representative:	<u>Ronald D. Stafford</u>
Witness Responsible:	<u>Michael A. Rumer</u>
Title:	<u>Financial Analyst</u>
Phone No.:	<u>618-239-2256</u>
Date Received:	<u>March 26, 2003</u>
Docket No.:	<u>02-0690</u>

The following questions relate to the rebuttal testimony of IAWC witness Rumer (Exhibit R-6.0):

AG 6.11 Please provide a detailed and specific explanation of the data, circumstances, and policy considerations, including specific data from the Staff's cost of service study, that lead Mr. Rumer to conclude that it is not appropriate to make movement toward single tariff pricing in this case for the Pontiac district.

RESPONSE

The Company has generally supported movement of the Pontiac district into single tariff pricing due primarily to Pontiac's water source from a surface supply similar in nature to the Southern/Peoria STP group, the rate comparison provided in response to AG 6.1c indicates that it is not appropriate to make more than gradual movement toward single tariff pricing in this case. The rate comparison indicates an overall differential of greater than 10% for most tested usage increments and substantially higher rates for most larger use customers. As such, the Company determined it was not appropriate to propose more than gradual continued movement for Pontiac into single tariff pricing in this case.

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DATA REQUEST NUMBER AG-6.12

Requested of Company Representative:	<u>Ronald D. Stafford</u>
Witness Responsible:	<u>Michael A. Rumer</u>
Title:	<u>Financial Analyst</u>
Phone No.:	<u>618-239-2256</u>
Date Received:	<u>March 26, 2003</u>
Docket No.:	<u>02-0690</u>

The following questions relate to the rebuttal testimony of IAWC witness Rumer (Exhibit R-6.0):

AG 6.12 Please provide a detailed and specific explanation of the data, circumstances, and policy considerations, including specific data from the Staff's cost of service study, that lead Mr. Rumer to conclude that it is not appropriate to make movement toward single tariff pricing in this case for the Sterling district.

RESPONSE

The information relied on that led to the conclusion that it is not appropriate to make movement toward single tariff pricing in this case, for the Sterling district, is the nature of Sterling's operations, being that groundwater is the exclusive source of supply, and the rate comparison provided in response to AG 6.1c. The rate comparison indicates an overall differential of greater than 10% at one tested residential usage increment, and around 10% on average for another tested residential usage increment. There was also a differential of over 10% for rates at usage levels consistent with the second and fourth rate blocks, and almost 10% for the third block, when compared with the Southern/Peoria STP group. As such, the Company determined it was not appropriate to propose the inclusion of Sterling into single tariff pricing in this case.

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DATA REQUEST NUMBER AG-6.13

Requested of Company Representative:	<u>Ronald D. Stafford</u>
Witness Responsible:	<u>Michael A. Rumer</u>
Title:	<u>Financial Analyst</u>
Phone No.:	<u>618-239-2256</u>
Date Received:	<u>March 26, 2003</u>
Docket No.:	<u>02-0690</u>

The following questions relate to the rebuttal testimony of IAWC witness Rumer (Exhibit R-6.0):

AG 6.13 Please provide a detailed and specific explanation of the data, circumstances, and policy considerations, including specific data from the Staff's cost of service study, that lead Mr. Rumer to conclude that it is appropriate to make movement toward single tariff pricing in this case for the Streator district.

RESPONSE The information relied on that led to the conclusion that it is appropriate to make movement toward single tariff pricing in this case, for the Streator district, is the rate comparison provided in response to AG 6.1c and the increase in rates that would otherwise be required in this proceeding, in Streator remained on a stand alone basis, due in large part to the investment made in Streator to address nitrate problems. The rate comparison indicates an overall differential of less than 10% at each of the tested residential usage increments, and less than 10% for usage levels consistent with the second, third, and fourth block rates. In addition, Streator's rates in this proceeding, if developed on a stand alone basis, would have required an increase greater than what was needed to bring rates in line with the Southern/Peoria STP group. As such, the Company determined it was appropriate to move Streator toward single tariff pricing in this case.